

Senate votes to cap on CHIP costs

Gazette State Bureau

HELENA - By a 45-5 vote, the Senate on Thursday approved a bill to limit the administrative costs of the state, or an insurance company it hires, to run the state's Children's Health Insurance Program.

Senate Bill 154, by Sen. John Cobb, R-Augusta, now faces a final Senate vote before heading to the House.

His bill would allow the state Department of Public Health and Human Services to administer CHIP directly or to contract with insurance companies or others to run it for a set fee.

If the state hires an insurance company to run CHIP, its administrative costs cannot exceed 10 percent, with the other 90 percent of the premium going to pay health-care claims. The state would be subject to the same administrative costs cap of 10 percent if it runs the program.

At present, Blue Cross and Blue Shield of Montana runs the program for the state, and its administrative costs are 13.65 percent under a contract.

The bill also specifies the reserves - any premiums in excess of the incurred or estimated claims expenses and operating and administrative expenses of the contract - must be held and gather interest.

The reserves, according to HB154, must be used by an insurer to offset past losses or be allocated to reduce or eliminate the number of children on waiting lists, to expand eligibility under the law or to reduce premiums.

Cobb said his bill needs further work, especially regarding the reserves, but he urged senators to pass it and let the parties work it out in the House.

In October 2004, Blue Cross and Blue Shield of Montana agreed to donate \$1.9 million in what critics said were excess reserves back to CHIP.